

p r o m i s i n g l o c a t i o n s



PARKLAND INDUSTRIES LTD. **2001** ANNUAL REPORT

CORPORATE PROFILE

Parkland Industries Ltd. is western Canada's largest independent marketer of transportation fuels.

Parkland has developed a network of gasoline outlets and convenience stores in the smaller cities and towns of British Columbia, Alberta, Saskatchewan, Manitoba, the Yukon and Northwest Territories. We deliberately concentrate our business in non-urban regions of western Canada, areas where competition is lower, real estate is less expensive, prices are more stable and operating costs more affordable than in the larger cities.

Under our Fas Gas brand we own and/or operate approximately 220 retail gasoline stations. Parkland's wholesale operation, Race Trac Fuels, supplies an additional 226 independently-owned, branded service stations. In fiscal 2000 we launched our Short Stop Food Stores program, aimed at upgrading our network and enhancing the profitability of our existing and future outlets by expanding our service and product offerings in prime locations. In addition, Parkland owns a refinery at Bowden, Alberta.

Parkland is listed on the Toronto Stock Exchange under the trading symbol PKI.

ON THE COVER

This mosaic depicts a few of the many highways and byways served by Parkland across western and northern Canada.

OUR VISION

Parkland Industries Ltd. is building to become western and northern Canada's preferred independent fuel provider and convenience store outlet.

Today our broad network of retail outlets combines fast, efficient refueling service and an assortment of consumer products and services to provide a pleasant shopping experience.

Our team of skilled employees are resolved to continue to grow and improve our convenience store and retail and wholesale fuel businesses and deliver maximum return on shareholder investment.

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FORWARD-LOOKING STATEMENT

This annual report includes forward-looking statements regarding Parkland Industries' operations, anticipated financial performance, business prospects and strategies. Forward-looking information may involve words such as "believe", "expect", "anticipate", or similar words implying future outcomes. Readers are cautioned not to place undue reliance on forward-looking information because it is possible that predictions, forecasts and other forms of forward-looking information will not be achieved by Parkland Industries. Parkland Industries is under no obligation to update publicly or otherwise revise any forward-looking information.

PARKLAND AT-A-GLANCE



To date, Parkland has established 24 Short Stop convenience stores; by 2005 we anticipate more than 100 stores will be operating throughout western Canada. In addition to motor fuels, every Short Stop in our chain has an Automated Teller Machine, prepared food and beverages and a wide array of products and services. Open 24 hours a day, many of our Short Stop stores provide small communities with big city convenience.

OUR BUSINESS

Fas Gas Oil Ltd.: retail gasoline chain, 220 service stations

Short Stop Food Stores Inc.: convenience stores with Fas Gas retail gasoline, 24 outlets

Race Trac Fuels Ltd.: wholesale fuel operation, supplying 226 branded service stations and bulk plants

Petrohaul Ltd.: transportation fleet, servicing Parkland's marketing network

Parkland Refining Ltd.: Bowden refinery processes natural gas condensate primarily into gasoline, production of 4,800 barrels per day

FINANCIAL AND OPERATING HIGHLIGHTS

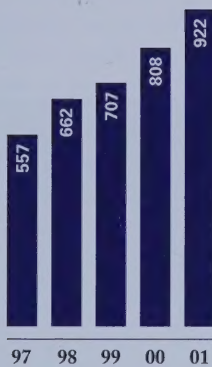
CONSOLIDATED FINANCIAL HIGHLIGHTS

(\$ THOUSANDS, EXCEPT PER SHARE AMOUNTS)	2001	2000	1999	1998	1997
SALES VOLUMES (000s LITRES)	921,700	807,700	707,000	662,000	557,000
SALES REVENUE	494,482	378,184	264,156	255,374	233,280
GROSS MARGIN	60,114	48,906	54,286	45,064	35,540
CASH FLOW FROM OPERATIONS	15,258	8,887	15,997	9,772	4,261
PER SHARE (\$) – BASIC	2.80	1.63	2.94	1.79	0.78
PER SHARE (\$) – DILUTED*	2.67	1.55	2.77	1.73	0.76
NET EARNINGS FROM OPERATIONS	6,608	1,869	9,352	3,280	(483)
PER SHARE (\$) – BASIC	1.21	0.35	1.72	0.60	(0.09)
PER SHARE (\$) – DILUTED*	1.16	0.33	1.62	0.59	(0.09)
EBITDA**	19,841	11,770	22,753	13,088	6,851

* RESTATED

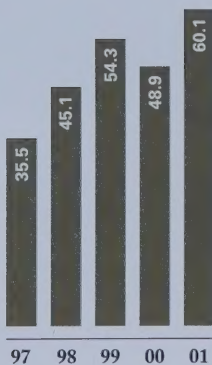
** EARNINGS BEFORE INTEREST, TAXES,
DEPRECIATION AND AMORTIZATION

“Sales volumes continue to grow, increasing 14 percent in the last year and sales revenue increased 31 percent.”



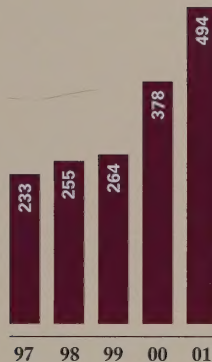
SALES VOLUMES
(Millions of Litres)

Sales volumes increased 14 percent in fiscal 2001, primarily due to our expanded network and increased wholesale business.



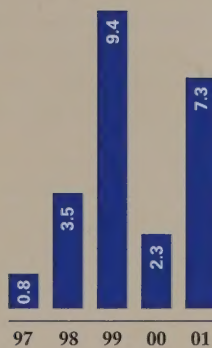
GROSS MARGIN
(\$ Millions)

Average "per litre" gross margins increased over the prior year on the strength of the retail fuel marketplace. We are expanding into convenience stores, where margins are greater than those for transportation fuel sales, and we are beginning to realize a higher gross margin contribution.



NET SALES
(\$ Millions)

Higher volumes, higher average pump prices and an expanded service offering, including more consumable products, caused our net sales to show a dramatic increase.

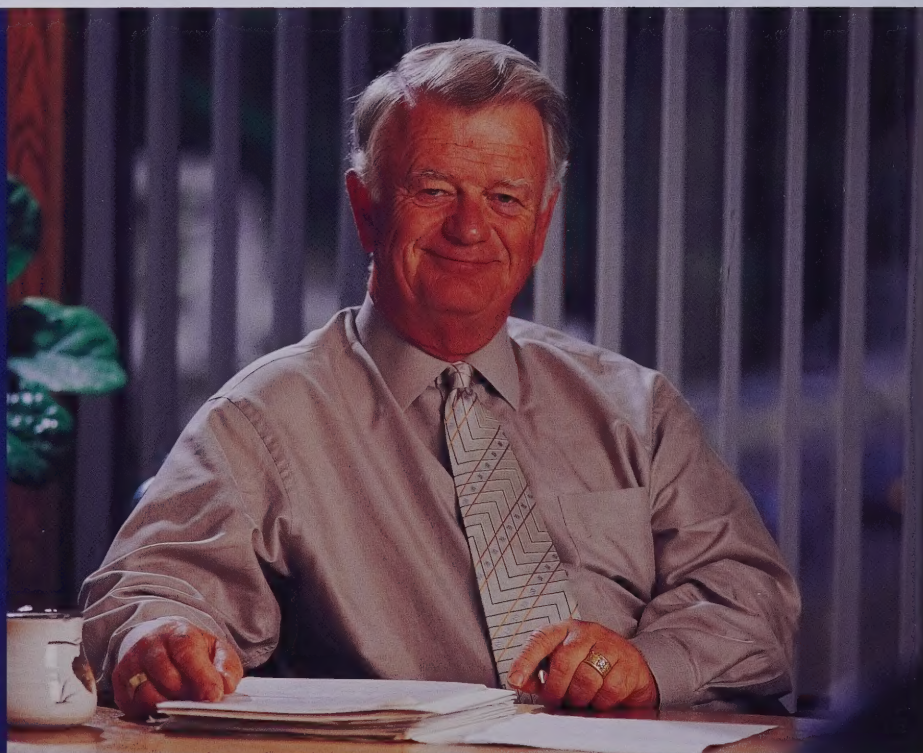


NET EARNINGS
(\$ Millions)

Increased fuel sales volumes and improved margins contributed to the recovery of net earnings in 2001, reaching near record levels of \$7.3 million.

LETTER TO SHAREHOLDERS

President & CEO
Jack C. Donald



For Parkland, fiscal 2001 was an outstanding year. Outstanding, first because our earnings more than doubled and second because we made substantial progress in the implementation of our Short Stop Food Stores program, as well as other business strategies developed to return value to our shareholders.

OPPORTUNITIES & CHALLENGES

Increased fuel sales volumes and improved wholesale margins have contributed to our strong financial performance during the year. In truth, we benefited from a burst of profitability toward the end of the fiscal year as the North America-wide refining sector experienced high product demand, which resulted in a dramatic rise in wholesale prices. Locally, supply restraints from the Edmonton-based refineries also contributed to a robust price environment. As in the past several years however, strong results for Parkland have been partially offset by high condensate feedstock costs associated with operating our Bowden refinery.

Management is currently completing a sale to monetize this asset; regardless of the outcome of this process, operations at the refinery will be suspended in September to mitigate our costs.

OUR SERVICE PORTFOLIO

Parkland's retail gasoline services are provided through our 220 Fas Gas stations. During fiscal 2001 we have concentrated on developing new methods which will increase customer choice and service. Over the next several years we plan to phase in new technologies; for example we will introduce new software in our Round-the-Clock brand operations to allow customers to use cash, debit or credit cards for payment. As well, we are planning to introduce transponder technology that will enable pre-approved customers to use an electronic sensor to receive instant authorization to purchase fuel. We believe that for many customers the efficiency of this means of payment will facilitate brand loyalty.

Over the past year, we have continued expanding our chain of Short Stop Food Stores; we now have 24 redeveloped or new locations in operation. By the end of this calendar year, we anticipate that number will grow to approximately 30 locations – the number that we estimate needs to be operating before profits can consistently offset development and overhead costs.

The Short Stop Food Stores program was developed to be employee operated (as opposed to being run by independent commissioned operators) and initiated to enable Parkland to derive maximum profitability from every Parkland retail site – whether new or pre-existing. To do this, we have introduced a wide spectrum of consumer products and offerings in our stores, including transportation fuels, automated teller machines, prepared food and beverages and a variety of consumer products. By adding services and products, we have increased the potential for non-gasoline related merchandise sales while improving our gross profit margin.

Operated 24 hours a day by Parkland employees, in many areas our Short Stop Food Stores provide customers with the only access to 24-hour fuel and food outlets – a real competitive advantage in smaller communities.

In expanding Parkland's Short Stop Food Stores program, we anticipate the best opportunities will be in communities of 2,000 to 6,000 residents. In centers of this size there are typically few convenience retailers, reducing competitive pressures, and the operating and cost environment is relatively stable compared to larger urban centers.

Parkland owns 117 service station sites across western and northern Canada and this portfolio has provided the locations for the new Short Stop Food Stores built to date. Management's estimates, supported by a sampling of independent appraisals, indicate aggregate real estate values significantly more than current book values.

Meanwhile, we are also building our other established businesses. During fiscal 2001 we have strengthened our Race Trac wholesale business by enhancing our comprehensive package of customer services, which includes credit card processing, marketing promotional assistance, proprietary fleet

cards and other ongoing support to station operators. We're currently working on a dealer funded customer loyalty program to enhance brand loyalty for Race Trac.

THE FUTURE

Several years back we realized Parkland was well positioned to capture opportunities arising in a changing business environment. We recognized the untapped business potential existing in our retail locations and that we could help to stabilize our earnings and increase our margins by expanding our product and service offerings.

We realized that fully exploiting this potential was core to creating a stronger, more profitable Company – a Company less subject to the inherent volatility of the transportation fuels business. Today we are fast becoming the convenience store of choice in our market area.

Our people are fundamental to the success of our store conversion program – as they are in every area of Parkland's business. Our Short Stop program is on target – and on budget – primarily because of the efforts of a team of employees, who do everything from scouting prospective sites to designing new stores, managing demolition and construction, staffing and stocking new sites. Our ability to manage all phases of our conversion program internally has meant that our costs are contained and our stores are converted with a minimum of disruption to our customers.

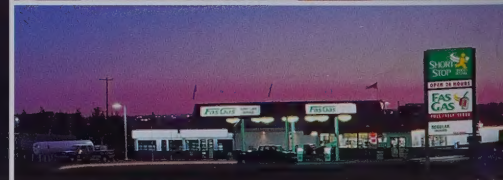
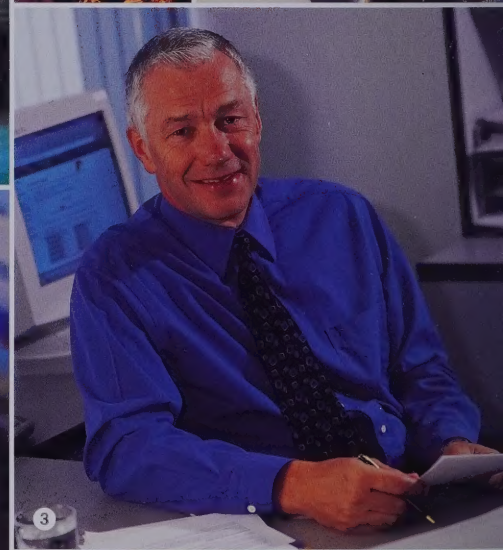
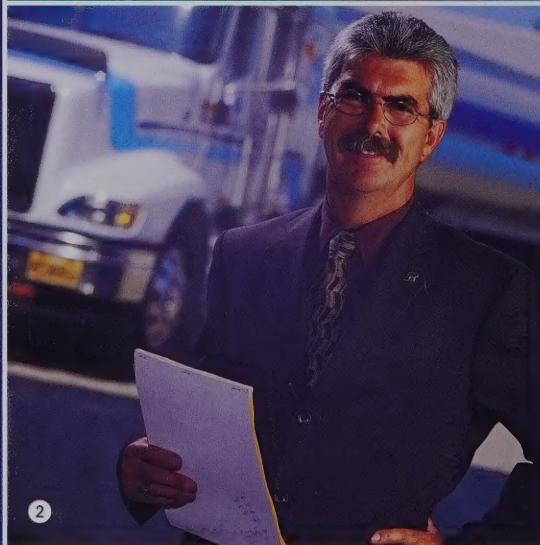
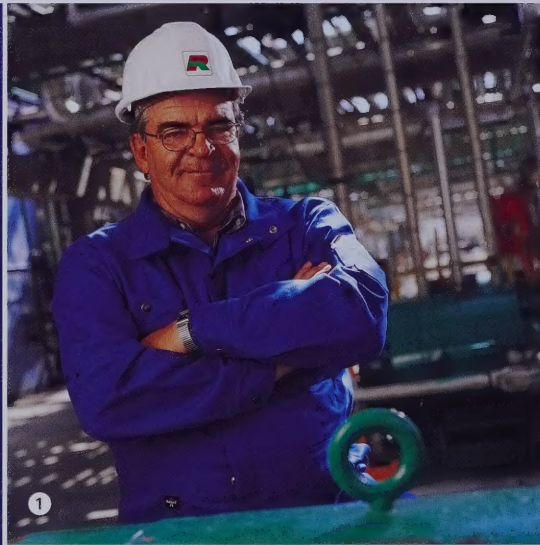
This is just one example of the dedicated effort Parkland employees regularly make to ensure shareholder investment is conserved and increased. I would like to thank all of my colleagues on my management team and Board of Directors, as well as every Parkland associate for his or her contribution to our success in fiscal 2001. I look forward to an even brighter 2002.

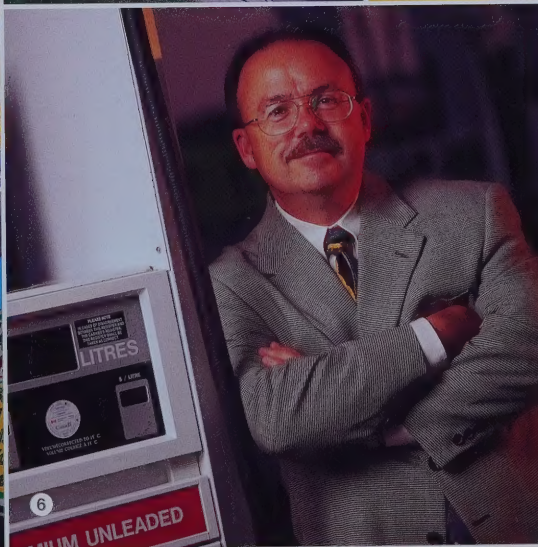
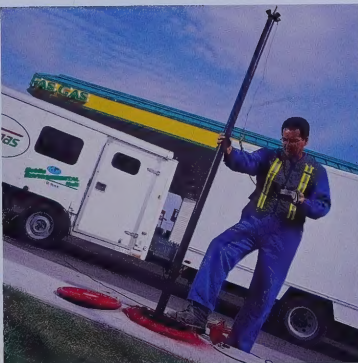


Jack C. Donald
President and Chief Executive Officer
September 4, 2001

MANAGEMENT

1. **Stan Simpson**
*Acting Refinery Manager,
Parkland Refining Ltd.*
2. **Don Heisler**
*General Manager,
Petrohaul Ltd.*
3. **John Schroeder**
*Vice President, Finance,
Parkland Industries Ltd.*





4. **Tim Rhodes**
General Manager,
Short Stop Food Stores Inc.
5. **D. Jim Jones**
Vice President, Marketing,
Fas Gas Oil Ltd.
6. **Bradley Williams**
General Manager,
Race Trac Fuels Ltd.

OPERATIONS REVIEW

FAS GAS OIL LTD.

Fas Gas is Parkland's retail gasoline chain. Currently there are 196 Fas Gas service stations in our chain, run by independent commissioned operators who own and sell all in-store merchandise. An additional 24 Fas Gas outlets are operated on Short Stop Food Store sites. Over the next five years we plan to enhance a significant number of our Fas Gas owned sites with a Short Stop Food Store, operated by Company employees.

While our store conversion program proceeds however, we have already begun upgrading other customer services. We are installing state-of-the-art self-serve refueling technology, and anticipate customers will soon be able to use transponders (either key fobs or vehicle mounted units) to electronically communicate with the pump and authorize sales. Named Fas Trac, this system will ensure maximum convenience to customers who are refueling.

Recently, the Canadian Retail Petroleum Association recognized Fas Gas service stations for service excellence. Fas Gas captured two first place Canada-wide awards: one for overall customer service and safety and a second for overall appearance of an alternate fuel facility. We also placed second in two merchandising categories.

SHORT STOP FOOD STORES INC.

Our Short Stop Food Stores program, launched in fiscal 2000, promises to generate substantially higher margins and more reliable profits for Parkland. The benefits of conversion are twofold: establishing a Short Stop site will increase profits from merchandise sales and also attract more refueling traffic. We have already found that adding a Short Stop Food Store to a traditional Fas Gas site can increase gasoline sales, as consumers take advantage of the opportunity to refuel and shop or buy snacks 24-hours a day.

Because they are employee operated and because they offer a wide range of high quality, high margin products and services, Short Stop stores will generate higher profits than traditional Fas Gas service stations, in which Parkland's interest is restricted to fuel sales. As our conversion program

proceeds, we anticipate profit margins, currently averaging 27 percent, will grow to approximately 35 percent by fiscal 2004.

We have designed our Short Stop sites to be welcoming and efficient. The stores are modern, bright and laid out to maximize traffic flow and merchandise display. The merchandise offered is a blend of products that appeal to a wide customer base. Over the past year, we have redeveloped 13 new Short Stop stores; by the end of 2001 we anticipate we will have 30 stores.

RACE TRAC FUELS LTD.

Race Trac, our wholesale operation, supplies 226 branded independent service stations across western Canada. We also supply other independent dealers indirectly through resellers.

Our progressive, seasoned management team closely follows the marketplace, poised to seize opportunities to enhance our business. As a western Canadian focused Company, Parkland identifies and captures opportunities presented as other marketers abandon many rural areas where volumes are insufficient to recover franchise and other costs associated with creating a major retail presence.

Over the year, our wholesale volume is up more than 27 percent. The continued strength of Race Trac's overall performance lies with our strategy to locate our dealers in profitable marketing areas subject to lower competitive pressures, together with the reliable, efficient wholesale fuel service we offer our customers.

PETROHAUL LTD.

Parkland's transportation operation, Petrohaul Ltd., ensures the timely and efficient delivery of motor fuels and propane throughout the Parkland network and to our independent retail customers.

Petrohaul's 39 tractor-trailer units deliver product from Manitoba west to British Columbia and north into the Yukon and Northwest Territories. The fleet delivers fuels throughout Parkland's marketing areas, enhancing our ability to control fuel inventories at our Fas Gas and Short Stop outlets, transports lube oil from the United States

and delivers premium quality condensate to the Bowden refinery. When internal scheduling permits, Petrohaul also provides hauling services to other marketers.

Averaging nine million kilometers a year, the Petrohaul fleet operates 24-hours a day, seven days a week. Routes are monitored by a global positioning system that enables the most efficient deployment of the fleet, and offers yet another level of service and security to our customers.

PARKLAND REFINING LTD.

Parkland's Bowden refinery processes natural gas condensate into a product slate dominated approximately 85 percent by gasoline. Currently throughput is 4,800 barrels per day.

For the past several years high feedstock costs associated with operating the Bowden refinery have periodically restrained Parkland's earnings. High demand for condensate from competing users caused prices to rise above crude oil prices creating a competitive disadvantage for Parkland compared to refiners processing crude oil.

of the sale to the Blood Tribe or condensate prices moving to par with crude over a period of time, and thus changing our economics of this business.

ENVIRONMENT, HEALTH & SAFETY

Parkland has always been highly proactive in environmental issues. The Company conducts an extensive program of data reconciliation, inventory and equipment monitoring, as well as monthly testing to minimize inventory loss and environmental remediation costs.

During remediation, wherever possible, Parkland installs only fiberglass underground tanks or above-ground double-walled enviro-tanks. All replaced underground piping is double-walled fiberglass pipe.

To ensure that newly acquired sites are free from environmental liability, all sites to be purchased or leased under a long-term lease agreement are drilled and tested for environmental contamination prior to acquisition. During ongoing operation, each site has a series of monitoring wells placed around the

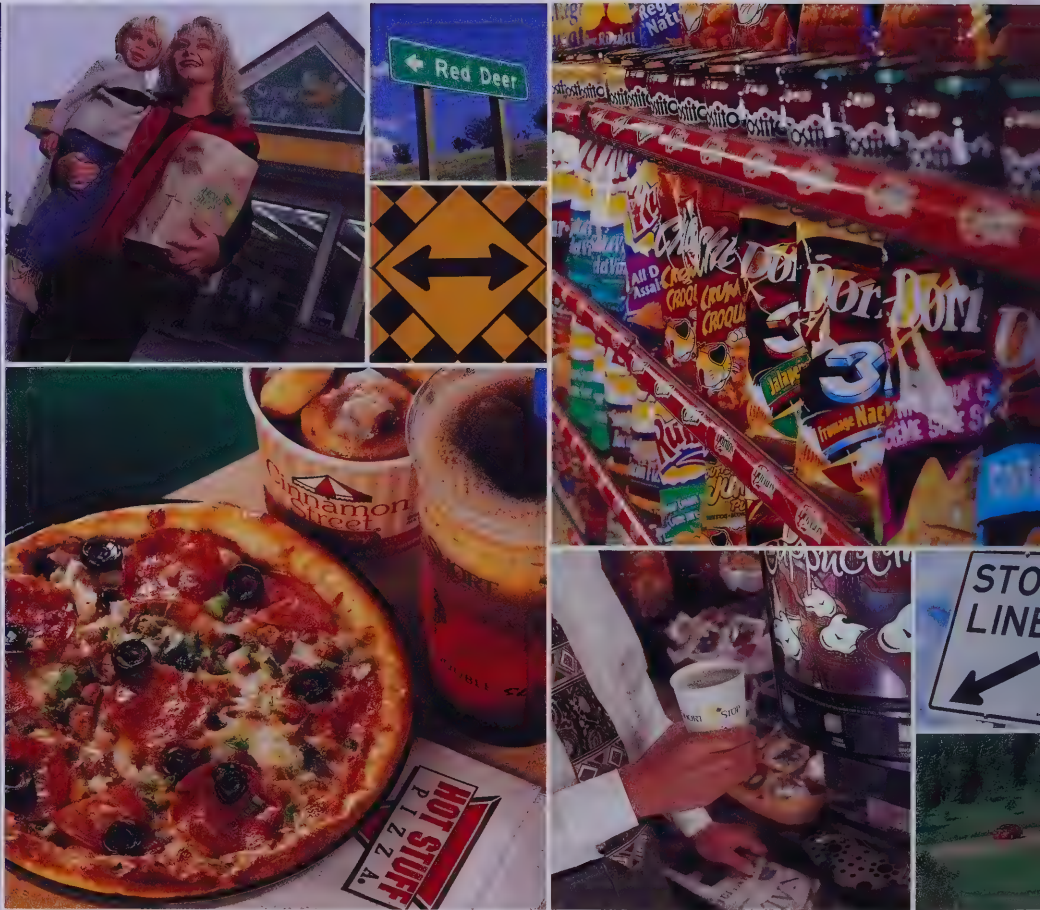
"We have already found that adding a Short Stop Food Store to a traditional Fas Gas site can increase gasoline sales, as consumers take advantage of the opportunity to refuel and shop or buy snacks at a single site."

To limit our exposure to the imbalance between feedstock and product prices, we have negotiated the sale of the Bowden refinery to the Blood Tribe. We are currently working with the Tribe to further the process of completing that transaction. For the sale to be concluded, regulatory approvals will need to be completed to create a Reserve underlying the refinery. This will be followed by a request before a Federal Court to confirm that the First Nations' general exemption from direct taxation applies to the Federal Excise Tax levied on motor fuels. While the Tribe is making progress on this, in the interim Parkland has announced that refinery operations will be suspended in September 2001. Refinery operations will recommence after either completion

underground tank facilities. These are tested monthly by our territory managers as part of the comprehensive station auditing process. Testing includes use of electronic sniffers to check for vapors and bailing of fluids to check for liquid hydrocarbons.

Parkland's environmental procedures and quick response ensure high standards of environmental compliance and low levels of station remediation costs. Daily station inventory balances are maintained by head office, with a cross-check comparing volumes received, sold and on hand. Any variances exceeding established limits or unusual trends are followed up immediately.

OPERATIONS



“Fiscal 2001 was an outstanding year. Outstanding, first because our earnings more than doubled and second because we made substantial progress in the implementation of our Short Stop Food Stores program, as well as other business strategies developed to return value to our shareholders.”



“Our people are fundamental to the success of our conversion program – as they are in every component of Parkland’s business. Our Short Stop program is on target – and on budget – primarily because of the efforts of a dedicated team of employees.”

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of Parkland's results of operations and financial condition should be read in conjunction with the Financial Statements reported on pages 20 to 29 of this report. Dollar amounts in the tables are presented in thousands, except per share data.

CONSOLIDATED RESULTS

Net sales were a record \$494 million compared to \$378 million the prior year. Net earnings were \$7.3 million (\$1.34 per share basic and \$1.28 diluted) compared to \$2.3 million (\$0.43 per share basic and \$0.41 diluted) in fiscal 2000. Cash generated from operations was \$15.3 million compared to \$8.9 million the prior year. Each of these measures moved in concert led by an increase of 14 percent in fuel volumes sold. Sales revenues received an additional boost from higher average crude oil prices, which prompted higher retail gasoline prices. Gross margins for transportation fuels also increased over the prior year.

REVIEW OF OPERATIONS

PARKLAND'S BUSINESS

As Western Canada's largest independent marketer, by volume of transportation fuels, Parkland operates and supplies a total of 446 stations compared with 414 at the end of the previous year. Of this fiscal 2001 total, 220 are retail stations under the Fas Gas brand (206 outlets – fiscal 2000). The remaining 226 outlets are independently owned wholesale supply accounts operated under the Race Trac brand. Products sold through the Company's network of service stations include gasoline, diesel and propane. Twenty eight percent of these refined products were sourced from Parkland's refinery at Bowden, Alberta and the remaining 72 percent under long-term contracts with other refiners. In fiscal 2001, throughput at the Bowden refinery averaged 4,800 barrels per day, unchanged from 2000. The Company continues to work on the sale of the refinery to the Blood Tribe and in the interim will suspend operations as described on page 9 of this report.

Short Stop Food Stores, Parkland's state-of-the-art convenience store chain being developed at select locations across Western Canada, currently consists of 24 Short Stop stores. Three of these are under construction with one awaiting redevelopment. Parkland's capital program during fiscal 2002 will be focused on developing additional Short Stop stores at existing Fas Gas retail sites. The Company expects to have more than 100 stores in operation by 2005.

COMPETITION AND MARKET POSITIONING

The wholesale and retail gasoline business is highly competitive, with margins ultimately dependent on the spread between crude oil and retail gasoline prices. Due to its unique market niche, Parkland has limited exposure to the more competitive geographic areas, which typically are in larger cities where the retail gasoline market is highly competitive and is dominated by major oil companies and, more recently, big-box retailers and major grocery chains.

While the Company has 26 outlets in major cities, including Calgary, Edmonton, Saskatoon and Regina, the main focus is to own, operate or supply outlets in rural areas, towns and smaller cities in western Canada. This niche allows the Company to take advantage of lower capital costs and reduced competitive pressure and provides substantial market share within a focused customer base. Parkland also maintains outlets in satellite communities near larger cities that provide access to the commuter customer base while taking advantage of a lower cost structure.

FINANCIAL RESULTS

SALES REVENUE

Net sales increased by \$116 million to \$494 million due to volume increases and "per litre" selling price increases throughout the year in response to overall rising crude oil prices. Cash generated from operations increased to \$15.3 million compared to \$8.9 million in the previous year. This increase reflected the increase in sales volumes and higher average gross margins. Earnings before interest, taxes, depreciation and amortization (EBITDA) increased to \$19.8 million from \$11.8 million the prior year.

VOLUMES

The Company continued to make significant gains in gasoline volumes sold, both on a retail and wholesale basis. Parkland's combined volumes reached 921.7 million litres, an increase of 14 percent over the 807.7 million litres sold in 2000. Of this volume gain, 14 percent came from retail stations and the remaining 86 percent from wholesale supply accounts. Part of the increase in wholesale volumes reflected the full year effect of two acquisitions completed during the previous year.

MARGINS

Cost of sales increased to \$434 million from \$329 million in 2000. This 32 percent increase resulted from the combination of higher sales volumes with higher average product costs, primarily crude oil related. Total gross margins increased to \$60.1 million in 2001 compared to \$48.9 million in 2000 and \$54.3 million in 1999. In fiscal 2001 convenience store merchandise contributed \$2.3 million in gross margin compared to \$0.8 million in 2000 and nil in 1999.

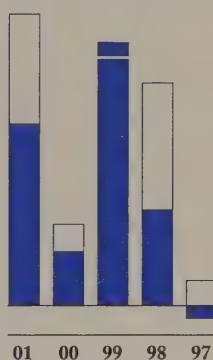
During fiscal 2001 monthly average crude oil prices rose from 27.3 cents per litre in July 2000 to a peak of 33.1 cents per litre in November and then declined to 26.7 cents per litre in June 2001. With this degree of volatility in underlying costs, the retail pump prices did not always respond quickly enough to pass product cost increases through to the consumer. However, when measured over the entire first three quarters of the fiscal year, the average spread between crude oil costs and retail pump prices represented an adequate sustainable return.

In the fourth quarter wholesale fuel prices rose in response to an increase in North America wide product demand. This in turn led to higher retail prices throughout our market area. Since the cost of products Parkland purchases from other refiners is primarily related to crude oil prices instead of posted wholesale prices, the Company realized strong gross margins at the close of the fiscal year. After the year-end, industry supply problems were resolved and both wholesale and retail prices declined.

The combined impact of these events resulted in the total annual average spread between crude oil prices and retail pump prices rising by two cents per litre in Parkland's market area.

IMPACT OF CONDENSATE PREMIUM

(\$ THOUSANDS)	2001	2000	1999	1998	1997
CONDENSATE PREMIUM					
OVER CRUDE PRICE	6,220	1,542	(854)	7,212	2,149
EARNINGS FROM					
OPERATIONS PRETAX	10,415	3,148	15,001	5,504	(629)
PROFORMA					
OPERATIONS PRETAX	16,635	4,690	14,147	12,716	1,520



High feedstock costs associated with operating the Bowden refinery have periodically restrained Parkland's earnings. Management is in the process of completing a sale to monetize this asset; regardless of the outcome, operations will be suspended in September to mitigate the Company's costs.

□ Condensate Premium
■ Actual Results

CONSOLIDATED FINANCIAL RESULTS

(\$ THOUSANDS, EXCEPT PER SHARE AMOUNTS)	2001	2000	1999
SALES REVENUE	494,482	378,184	264,156
EARNINGS FROM OPERATIONS AFTER TAX	6,608	1,869	9,352
PER SHARE - BASIC	1.21	0.35	1.72
PER SHARE - DILUTED*	1.16	0.33	1.62
GAIN ON INVESTMENT TRANSACTIONS AND EFFECT			
OF CHANGES IN PROVISION FOR FUTURE TAXES	717	459	-
PER SHARE	0.13	0.08	-
NET EARNINGS	7,325	2,328	9,352
PER SHARE - BASIC	1.34	0.43	1.72
PER SHARE - DILUTED*	1.28	0.41	1.62
CASH FLOW FROM OPERATIONS	15,258	8,887	15,997
PER SHARE - BASIC	2.80	1.63	2.94
PER SHARE - DILUTED*	2.67	1.55	2.77
SALES VOLUMES OF REFINED PRODUCTS (MILLIONS OF LITRES)	922	808	707

* RESTATED

The annual average "rack-back" margin for gasoline (the spread between the posted price at Edmonton, Alberta for marker crude oil and the wholesale rack price) increased to an average of \$0.096 per litre compared with \$0.063 in 2000. There was a decrease in "rack-forward" margins (the spread between the wholesale rack price of gasoline and the retail pump prices). In fiscal 2001 the rack forward averaged \$0.050 per litre versus \$0.063 in 2000. These statistics are based on the monthly average of marker crude at Edmonton and Bloomberg's weekly regional wholesale rack price listings for the prairie provinces.

Over the course of the past five years the price of condensate feedstock processed at the Bowden refinery has experienced significant fluctuation relative to our competitors' crude oil costs. Historically condensate was priced at or near par with crude oil. In the latter part of 1996 the demand for diluent for expanding heavy oil production in Alberta created upward pressure on condensate prices. Although this pattern was reversed in fiscal 1999, it has created a longer-term premium in feedstock costs that negatively affects the cost of refined products produced at the Bowden refinery. The table on page 13 details the impact of this excess cost relative to the cost of products purchased from other refiners for each of the fiscal years since 1996. It also demonstrated the gross margins that would have been achieved without this excess cost.

EXPENSES

Marketing, general and administrative expenses

Marketing, general and administrative expenses, including gasoline sales commissions and station occupancy costs, were \$40.3 million compared to \$37.1 million the prior year. The largest increase in this expense category was convenience store operating costs, which increased in fiscal 2001 to \$4.7 million from \$2.5 million in fiscal 2000. The balance of the increase resulted primarily from increased fuel volumes. Per litre costs of operating retail service stations continued on par with the prior year.

Included in marketing, general and administrative expenses for 2001 was \$276,500 for environmental remediation at 17 locations. This compares with \$267,000 for remediation at seven outlets in 2000. As the Company redevelops a site with a new Short Stop store, it is our policy that contamination from previous operations is immediately removed, even if the contamination is below threshold levels requiring remediation. This policy increased the station count at which work was performed. However, total expenditures remained low. Expenditures for station remediation are expected to remain at a comparable level in fiscal 2002.

Fixed Assets and Amortization

Amortization of fixed assets increased to \$8.8 million from \$8.0 million as the Company continued its program of building convenience stores and adding to, and upgrading, its service station network. This trend is expected to continue as the convenience store development is a multi-year project.

During fiscal 2001 the Company expended \$16.4 million under its capital program. Approximately 80% of this amount was for Short Stop Food Store development together with upgrading of the associated fuel marketing equipment.

Parkland owns 117 of the sites utilized in the Fas Gas retail chain; an industrial property in Red Deer used as a trucking base and maintenance facility; and a fuel terminal facility in Whitehorse. With the corporate acquisitions that Parkland has completed in recent years, it has acquired several non-core real estate properties that the Company is currently targeting to sell.

Interest

Interest on long-term debt remained relatively unchanged at \$618,000 compared to \$605,000. Approximately 81 percent of the long-term debt is subject to prime related floating interest rates and therefore Parkland enjoyed the benefit of declining prime rates over the course of the year. Most of the increase in long-term debt occurred at the end of the third quarter and hence the additional interest cost was limited to the fourth quarter.

Income Taxes

The income tax provision was \$3.9 million or 34.66 percent of earnings before tax compared to \$1.1 million or 32.23 percent the prior year. Although basic statutory rates have begun to decline, the partial elimination of the federal processing rate adjustment resulted in a slightly higher aggregate tax rate for the Company. The current tax obligation of \$5.2 million included a payout of \$1.2 million of taxes previously deferred in relation to the Company's holding of an oil and gas related investment. This investment was sold during the year.

LIQUIDITY AND CAPITAL RESOURCES

WORKING CAPITAL

Parkland's working capital improved to a positive \$2.9 million at June 30, 2001 from a deficit of \$6.2 million at the prior year-end. In early December 2000 the Company renegotiated its long-term fuel purchase agreement satisfactorily and in turn agreed to purchase \$10 million of gasoline to be held in inventory at the supply terminal. This increased the balance sheet accounts for inventory and was financed with an additional working capital loan.

FINANCING ACTIVITIES

During the year Parkland added \$2.4 million of long-term debt to supplement working capital and also issued \$6.9 million of mortgage debt to fund its capital expenditures program. Subsequent to the year-end, the Company has negotiated an agreement with HSBC who will become our primary banker.

At year-end the Company had \$15.1 million in long-term debt which equated to a ratio of 1.0 times trailing cash flow. With the continued expansion of the Short Stop chain, the Company will increase its borrowings; however, it is Parkland's policy to maintain a conservative level of debt.

DIVIDENDS

Parkland continued its program of semi-annual dividends during the year. On a per share basis, 10 cents was paid on each of July 30, 2000 and January 31, 2001.

INVESTMENT IN LISTED SECURITIES

The Company sold 272,899 common shares of Crestar Energy Inc. which were acquired in prior years in exchange for upstream oil and gas assets. Proceeds were \$6.8 million resulting in a net gain of \$0.8 million (\$0.7 million after tax, or 13 cents per share).

BUSINESS RISKS

RETAIL PRICING

Retail pricing for motor fuels is subject to intense competition. Within Parkland's marketing areas there is no foreseeable shortage of saleable motor fuels and these products are available from a wide variety of sources. This can result in low retail gross margins in some locations from time to time. However, retail pricing is generally stronger and more stable in non-urban areas and the Company is continuing its strategy of expanding its business in these markets.

FEEDSTOCK

Parkland processes condensate, a by-product of natural gas production, at its Bowden refinery. Refining efficiency depends on the quality of its feedstock. Although 90 percent of the refinery's feedstock is obtained from a single pipeline stream, the Company is continually searching for high quality condensate, which is often delivered to the refinery using Company trucks as they return from fuel deliveries.

The price of condensate is subject to variations depending on market conditions. Condensate is used as a diluent for heavy crude oil to reduce viscosity which allows the oil to flow more easily through a pipeline. In periods where heavy oil production is high, competition for condensate increases and drives up the price of this product in relation to the posted crude oil price.

OPERATIONS

The potential for significant mechanical failure causing production interruptions at the Company's refinery represents an operating risk. Parkland currently purchases approximately 72 percent of its requirements from other refiners and could expand these arrangements. The Company employs an extensive preventive maintenance program and enjoys the benefits of an experienced, well-trained operating staff.

ENVIRONMENTAL

The operations of service stations, refinery facilities and petroleum transport trucks carry an element of environmental risk. To prevent environmental incidents from occurring, the Company has extensive environmental procedures and monitoring programs in place at all of its facilities. A full-time transportation safety and corporate environmental officer is engaged by the Company. To mitigate the impact of a major accident, Parkland has emergency response programs in place and provides its employees with extensive training in operational responsibilities.

OUTLOOK

Parkland will continue its capital expenditure program to add convenience stores and service station outlets.

The suspension of operations at the Bowden refinery should eliminate the excess costs associated with high condensate prices in recent years. The Company has secured long-term contracted supply volumes to meet its ongoing needs. When the Company is able to conclude the sale of the refinery to the Blood Tribe, it would enjoy additional cost savings and additional income from the initial proceeds on the sale and subsequent financing income on the remaining balance.

THREE-YEAR QUARTERLY EARNINGS ANALYSIS

(\$ THOUSANDS)		OPERATIONS	UNUSUAL ITEMS	TOTAL
2001	FIRST QUARTER	1,453	717	2,170
	SECOND QUARTER	667	—	667
	THIRD QUARTER	(264)	—	(264)
	FOURTH QUARTER	4,752	—	4,752
	TOTAL	6,608	717	7,325
2000	FIRST QUARTER	1,482	—	1,482
	SECOND QUARTER	849	—	849
	THIRD QUARTER	(1,262)	—	(1,262)
	FOURTH QUARTER	800	459	1,259
	TOTAL	1,869	459	2,328
1999	FIRST QUARTER	2,726	—	2,726
	SECOND QUARTER	2,160	—	2,160
	THIRD QUARTER	2,144	—	2,144
	FOURTH QUARTER	2,322	—	2,322
	TOTAL	9,352	—	9,352

KEY FINANCIAL RATIOS

	2001	2000	1999
CURRENT RATIO	1.06	0.84	0.81
DEBT TO EQUITY RATIO	0.23	0.15	0.08
INTEREST COVERAGE — EARNINGS FROM OPERATIONS	17.83	6.19	24.81
INTEREST COVERAGE — CASH FLOW	32.06	19.90	36.12
ASSET COVERAGE	5.90	8.47	15.16

SUMMARY OF CHANGES IN CASH POSITION

(\$ THOUSANDS)	2001	2000	1999
CASH FLOW FROM OPERATIONS	15,258	8,887	15,997
CHANGE IN NON-CASH WORKING CAPITAL	(3,651)	2,552	4,670
FINANCING ACTIVITIES AND DIVIDENDS	5,531	4,839	(6,723)
INVESTING ACTIVITIES	(11,298)	(13,163)	(11,070)
INCREASE IN CASH	5,840	3,115	2,874

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying financial statements of Parkland Industries Ltd. have been prepared by management in accordance with generally accepted accounting principles. Parkland's accounting procedures and related systems of internal control are designed to provide reasonable assurance that its assets are safeguarded and its financial records are reliable. In recognizing that the Company is responsible for both the integrity and objectivity of the financial statements, management is satisfied that these financial statements have been prepared accordingly and within reasonable limits of materiality. Further, management is satisfied that the financial information throughout the balance of this annual report is consistent with the information presented in the financial statements.

Heywood, Holmes & Partners LLP have been appointed by the shareholders of Parkland to serve as the Company's external auditors. They have examined the financial statements of the Company for the years ended June 30, 2001, 2000 and 1999.

The Audit Committee has reviewed these statements with management and the auditors, and has reported to the Board of Directors. The Board has approved the information contained in the financial statements of Parkland which are included in this annual report.



John G. Schroeder
Vice President, Finance
Red Deer, Alberta
September 4, 2001



Kelly G. Collier
Controller
Red Deer, Alberta
September 4, 2001

AUDITORS' REPORT

TO THE SHAREHOLDERS OF PARKLAND INDUSTRIES LTD.

We have audited the consolidated balance sheets of Parkland Industries Ltd. as at June 30, 2001 and 2000 and the consolidated statements of earnings and retained earnings and cash flows for each of the years in the three-year period ended June 30, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2001 and 2000 and the results of its operations and cash flows for each of the years in the three-year period ended June 30, 2001 in accordance with Canadian generally accepted accounting principles.

Heyward Holmes & Partners LLP

Chartered Accountants

Red Deer, Alberta

September 4, 2001

FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

JUNE 30 (\$ THOUSANDS)	2001	2000
ASSETS		
CURRENT ASSETS		
CASH	\$ 7,780	\$ 1,940
ACCOUNTS RECEIVABLE	18,275	18,499
FUTURE INCOME TAXES	905	914
INVENTORIES	21,973	9,751
PREPAID EXPENSES	1,376	2,150
	50,309	33,254
INVESTMENT IN LISTED SECURITIES	-	4,758
OTHER	3,427	2,145
FIXED ASSETS (NOTE 2)	78,421	71,002
GOODWILL (NOTE 3)	4,564	5,248
	\$ 136,721	\$ 116,407
LIABILITIES		
CURRENT LIABILITIES		
ACCOUNTS PAYABLE	\$ 41,887	\$ 36,367
INCOME TAXES PAYABLE	2,207	154
LONG-TERM DEBT, CURRENT PORTION (NOTE 4)	3,339	2,963
	47,433	39,484
LONG-TERM DEBT (NOTE 4)	15,130	9,082
SITE RESTORATION ACCRUAL	155	181
FUTURE INCOME TAXES	7,222	7,311
TOTAL LIABILITIES	69,940	56,058
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (NOTE 5)	16,722	16,528
RETAINED EARNINGS	50,059	43,821
	66,781	60,349
	\$ 136,721	\$ 116,407

ON BEHALF OF THE BOARD:


DIRECTOR


DIRECTOR

CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS

YEAR ENDED JUNE 30 (\$ THOUSANDS)	2001	2000	1999
NET SALES AND OPERATING REVENUES	\$ 494,482	\$ 378,184	\$ 264,156
COST OF SALES AND OPERATING EXPENSES	434,368	329,278	209,870
GROSS MARGIN	60,114	48,906	54,286
EXPENSES			
MARKETING, GENERAL AND ADMINISTRATIVE	40,273	37,136	31,533
AMORTIZATION OF FIXED ASSETS	8,808	8,017	7,122
INTEREST ON LONG-TERM DEBT	618	605	630
	49,699	45,758	39,285
EARNINGS BEFORE UNUSUAL ITEMS	10,415	3,148	15,001
GAIN ON SALE OF LISTED SECURITIES	795	288	-
EARNINGS BEFORE INCOME TAXES	11,210	3,436	15,001
INCOME TAXES (NOTE 6)			
CURRENT	5,193	2,937	6,126
FUTURE	(1,308)	(1,829)	(477)
	3,885	1,108	5,649
NET EARNINGS	7,325	2,328	9,352
RETAINED EARNINGS, BEGINNING OF YEAR	43,821	42,447	33,776
DIVIDENDS PAID	(1,087)	(954)	(681)
RETAINED EARNINGS, END OF YEAR	\$ 50,059	\$ 43,821	\$ 42,447
NET EARNINGS PER SHARE (NOTE 1)			
BASIC	\$ 1.34	\$ 0.43	\$ 1.72
DILUTED	\$ 1.28	\$ 0.41	\$ 1.62

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30 (\$ THOUSANDS)	2001	2000	1999
CASH PROVIDED BY (USED FOR) OPERATIONS			
NET EARNINGS	\$ 7,325	\$ 2,328	\$ 9,352
ADD (DEDUCT) NON-CASH ITEMS:			
AMORTIZATION OF FIXED ASSETS	8,808	8,017	7,122
FUTURE TAXES	(80)	(1,170)	(477)
GAIN ON SALE OF LISTED SECURITIES	(795)	(288)	-
	15,258	8,887	15,997
NET CHANGES IN NON-CASH WORKING CAPITAL	(3,651)	2,552	4,670
CASH FROM OPERATING ACTIVITIES	11,607	11,439	20,667
FINANCING			
PROCEEDS OF SHARE ISSUE	234	326	23
REPURCHASE OF SHARES	(40)	(734)	(104)
PROCEEDS FROM LONG-TERM DEBT	9,309	7,823	1,071
LONG-TERM DEBT REPAYMENTS	(2,885)	(1,622)	(7,032)
DIVIDEND PAYMENTS	(1,087)	(954)	(681)
CASH FROM (USED FOR) FINANCING ACTIVITIES	5,531	4,839	(6,723)
INVESTMENT			
PROCEEDS ON SALE OF GOODWILL	-	-	84
PURCHASE OF GOODWILL	(86)	(1,823)	(882)
SITE RESTORATION ACCRUAL	(26)	(100)	(216)
PURCHASE OF FIXED ASSETS	(16,441)	(12,766)	(11,898)
INCOME TAX RECOVERY ACQUIRED ON			
ACQUISITION OF SUBSIDIARY	-	(400)	-
PROCEEDS ON SALE OF FIXED ASSETS	985	903	2,128
INVESTMENT IN OTHER ASSETS	(1,282)	(799)	(286)
PROCEEDS ON SALE OF LISTED SECURITIES	6,780	2,482	-
FLOW THROUGH OF INCOME TAX			
ON SALE OF LISTED SECURITIES	(1,228)	(660)	-
CASH (USED FOR) INVESTMENT ACTIVITIES	(11,298)	(13,163)	(11,070)
INCREASE IN CASH	5,840	3,115	2,874
CASH (BANK INDEBTEDNESS), BEGINNING OF YEAR	1,940	(1,175)	(4,049)
CASH (BANK INDEBTEDNESS), END OF YEAR	\$ 7,780	\$ 1,940	\$ (1,175)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2001 (DOLLAR AMOUNTS PRESENTED IN TABLES ARE IN THOUSANDS, EXCEPT PER SHARE INFORMATION)

SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of all wholly owned subsidiaries. All significant inter-company accounts and transactions are eliminated. The excess of the consideration paid for the shares of subsidiaries over the underlying net book values at the dates of acquisition is attributed to the related assets acquired and is amortized over the life of these assets.

MEASUREMENT UNCERTAINTY

The preparation of the financial statements necessarily involves the use of estimates and approximations. Should the underlying assumptions change, the actual amounts could differ from those estimated.

INDIRECT METHOD

The Company follows the indirect method in reporting its cash flows from operating activities.

INVENTORIES

The Company values its inventories at the lower of cost and market value. The Company uses the last-in, first-out (LIFO) method of determining the cost of product inventory.

AMORTIZATION

Amortization is provided for on a straight line basis over the estimated useful lives of assets at the following annual rates:

LAND IMPROVEMENTS	4%
BUILDINGS	5%
REFINING EQUIPMENT	5%
EQUIPMENT	10%
GOODWILL	10%

INVESTMENTS

Parkland's investments in companies in which it does not have significant influence are accounted for under the cost method.

INCOME TAXES

The Company follows the future method to account for income taxes. Under this method, the Company recognizes a future income tax liability whenever recovery or settlement of the carrying amount of an asset or liability would result in future income tax outflow. Similarly the Company recognizes a future income tax asset whenever recovery or settlement of the carrying amount of an asset or liability would generate future income tax reductions.

LONG-TERM DEBT

Capital lease obligations which relate to transactions which are similar in nature to a purchase are capitalized and included in long-term debt.

SITE RESTORATION

Site restoration costs are based on engineering estimates taking into account alternative procedures consistent with legal requirements, industry practices and available technology.

Estimated site restoration costs of acquired sites are recorded at the date of acquisition and actual costs are charged to the accumulated provision as incurred. Site restoration costs of existing sites are charged to operations in the year incurred.

EARNINGS PER SHARE

Basic earnings per share is calculated on the weighted average number of common shares outstanding for the year which amounted to 5,446,569 (2000 – 5,438,863; 1999 – 5,449,690).

Diluted earnings per share are calculated by application of the Treasury Stock Method. Under this method, the shares are calculated based upon the weighted average number of common shares outstanding for the year plus the dilutive effect of the exercise of those employee stock options which were “in-the-money” during the year. The number of shares utilized in calculating diluted earnings per share amounted to 5,714,555 (2000 – 5,742,556; 1999 – 5,778,763).

SEGMENTED INFORMATION

The Company operations are predominantly in the petroleum refining and marketing industry. The Company derives its revenues from marketing its products in western and northern Canada.

1. EARNINGS ANALYSIS AND EARNINGS PER SHARE

During the year, the Company changed its method of computing diluted earnings per share to the Treasury Stock Method as required by the Canadian Institute of Chartered Accountants. The retroactive effect of applying this method of calculating diluted earnings per share is as follows:

	2001	2000	1999
AS PREVIOUSLY REPORTED	1.26	ANTI-DILUTIVE	1.62
TREASURY STOCK METHOD	1.28	0.41	1.62

2001	OPERATIONS	UNUSUAL ITEMS	TOTAL
EARNINGS BEFORE TAX	\$ 10,415	\$ 795	\$ 11,210
INCOME TAXES (RECOVERY)			
CURRENT	3,887	1,306	5,193
FUTURE	(80)	(1,228)	(1,308)
TOTAL INCOME TAXES	3,807	78	3,885
NET EARNINGS	\$ 6,608	\$ 717	\$ 7,325
EARNINGS PER SHARE - BASIC	1.21	0.13	1.34
- DILUTED	1.16	0.12	1.28

2000	OPERATIONS	UNUSUAL ITEMS	TOTAL
EARNINGS BEFORE TAX	\$ 3,148	\$ 288	\$ 3,436
INCOME TAXES (RECOVERY)			
CURRENT	2,448	489	2,937
FUTURE	(1,169)	(660)	(1,829)
TOTAL INCOME TAXES	1,279	(171)	1,108
NET EARNINGS	\$ 1,869	\$ 459	\$ 2,328
EARNINGS PER SHARE - BASIC	0.35	0.08	0.43
- DILUTED*	0.33	0.08	0.41

1999	OPERATIONS	UNUSUAL ITEMS	TOTAL
EARNINGS BEFORE TAX	\$ 15,001	\$ -	\$ 15,001
INCOME TAXES (RECOVERY)			
CURRENT	6,126	-	6,126
DEFERRED	(477)	-	(477)
TOTAL INCOME TAXES	5,649	-	5,649
NET EARNINGS	\$ 9,352	\$ -	\$ 9,352
EARNINGS PER SHARE - BASIC	1.72	-	1.72
- DILUTED*	1.62	-	1.62

* RESTATED

2. FIXED ASSETS

	2001		2000	
	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE	NET BOOK VALUE
LAND	\$ 13,247	\$ -	\$ 13,247	\$ 12,777
LAND IMPROVEMENTS	4,598	1,424	3,174	2,334
BUILDINGS	17,679	6,690	10,989	8,058
REFINING EQUIPMENT	49,338	27,084	22,254	24,259
EQUIPMENT	52,609	23,852	28,757	23,574
	\$ 137,471	\$ 59,050	\$ 78,421	\$ 71,002

3. GOODWILL

Under an agreement dated April 7, 1997 the Company acquired various fuel marketing assets and operations. A portion of the consideration, not to exceed \$5,500,000, is contingent on the average level of gross margins exceeding a defined amount in specific market territories for the five years ending April 7, 2002. A number of the acquired outlets were sold January 30, 1998. Part of the consideration was the sale of \$475,000 of goodwill plus an amount not to exceed \$2,540,000, contingent upon gross margins exceeding a defined level in specific market territories for the five years ending January 31, 2003.

4. LONG-TERM DEBT

	2001	2000
BANK LOANS SECURED BY AN ASSIGNMENT OF ACCOUNTS RECEIVABLE, INVENTORIES AND DEMAND DEBENTURES CREATING A FIRST OR SECOND FIXED CHARGE OVER SPECIFIC FIXED ASSETS AND FLOATING CHARGE UPON ALL OTHER ASSETS. THE LOANS ARE REPAYABLE IN MONTHLY INSTALLMENTS OF \$115,000 PLUS INTEREST AT PRIME PLUS 0.50%. NON-PERMANENT REPAYMENT OF THE LOANS MAY BE ACCELERATED BY THE COMPANY, RESULTING IN TEMPORARY REDUCTION OF THE MONTHLY INSTALLMENTS.	\$ 6,540	\$ 5,400
MORTGAGES PAYABLE IN MONTHLY INSTALLMENTS TOTALLING \$126,087 INCLUDING INTEREST. INTEREST RATES VARY FROM 6.0% TO 8.5% AND PRIME PLUS 0.70% TO PRIME PLUS 0.80% PER ANNUM. THE MORTGAGES ARE SECURED BY REAL PROPERTIES WITH A NET BOOK VALUE OF \$9,358,000 AND MATURE AT VARIOUS DATES ENDING APRIL 27, 2009.	9,441	3,069
CONDITIONAL SALES CONTRACTS, EQUIPMENT LOANS AND CAPITAL LEASES PAYABLE IN MONTHLY INSTALLMENTS TOTALLING \$52,566 INCLUDING INTEREST VARYING FROM 6.03% TO 14.34% PER ANNUM. THE CONTRACTS ARE SECURED BY AUTOMOTIVE AND COMPUTER EQUIPMENT WITH A NET BOOK VALUE OF \$2,333,000 AND MATURE AT VARIOUS DATES ENDING FEBRUARY 1, 2005.	1,848	2,791
UNSECURED NOTES REPAYABLE IN MONTHLY INSTALLMENTS TOTALLING \$15,625. THE NOTES ARE DISCOUNTED AT 6% PER ANNUM.	640	785
	18,469	12,045
LESS CURRENT PORTION	3,339	2,963
	\$ 15,130	\$ 9,082

Estimated principal repayments for the next five years are:

2002	\$ 3,339
2003	3,053
2004	3,317
2005	2,582
2006	2,111

For 1999, 2000 and 2001, the Company did not incur net interest expense on working capital borrowings, as average monthly cash balances exceeded average borrowings.

The Company has outstanding letters of credit totalling \$10,880,630 (2000 - \$9,842,875) which mature at various dates between August 1, 2001 and May 31, 2002.

5. CAPITAL STOCK

AUTHORIZED

Unlimited number of common shares without nominal or par value.

Unlimited number of preferred, non-convertible, non-voting shares without nominal or par value.

The designation, rights restrictions, conditions and limitations are to be determined by the Directors of the Company.

ISSUED - COMMON SHARES

	2001		2000	
	SHARES	AMOUNT	SHARES	AMOUNT
BALANCE, BEGINNING OF YEAR	5,435,688	\$ 16,528	5,441,588	\$ 16,936
REPURCHASED PURSUANT TO				
NORMAL COURSE ISSUER BID	(3,600)	(40)	(57,900)	(734)
ISSUED PURSUANT TO EXERCISE OF				
EMPLOYEE STOCK OPTIONS	33,000	234	52,000	326
BALANCE, END OF YEAR	5,465,088	\$ 16,722	5,435,688	\$ 16,528

As of June 30, 2001, 475,000 common shares of the Company were reserved for issue on exercise of employee stock options at prices from \$7.00 to \$13.25 for terms of ten years ending between November 18, 2003 to January 31, 2010.

6. INCOME TAXES

Income tax expense varies from the amounts that would be computed by applying the Canadian Federal and Provincial income tax rates to earnings before provision for income taxes as shown in the following table:

	2001		2000		1999	
	AMOUNT	%	AMOUNT	%	AMOUNT	%
PROVISION FOR INCOME TAXES						
AT STATUTORY RATES	\$ 4,666	41.62	\$ 1,533	44.62	\$ 6,693	44.62
ADD (DEDUCT) THE TAX EFFECT OF:						
PROCESSING RATE ADJUSTMENT	(653)	(5.83)	(330)	(9.60)	(1,241)	(8.28)
LARGE CORPORATIONS						
TAX/CAPITAL TAXES	231	2.06	118	3.44	18	0.12
NON-TAXABLE PORTION OF GAIN						
ON SALE OF LISTED SECURITIES,						
GOODWILL AND FIXED ASSETS	(805)	(7.18)	(315)	(9.17)	-	-
NON-ALLOWABLE AMORTIZATION	155	1.39	138	4.01	112	0.74
NON-DEDUCTIBLE EXPENSES	26	0.24	27	0.77	48	0.31
CHANGE IN TAX RATES	263	2.35	-	-	-	-
OTHER	2	0.01	(63)	(1.84)	19	0.15
	\$ 3,885	34.66	\$ 1,108	32.23	\$ 5,649	37.66

7. OPERATING LEASES

The Company is committed to total minimum rentals in the amount of \$3,499,942 under operating leases for land, buildings and equipment. Minimum lease payments for each of the five succeeding years are as follows:

2002	\$ 1,262
2003	843
2004	582
2005	412
2006	215

8. PAYMENTS TO GOVERNMENTS

	2001	2000	1999
PROVINCIAL FUEL TAXES	\$ 82,855	\$ 73,436	\$ 64,386
FEDERAL EXCISE TAX	75,416	70,116	60,746
INCOME TAX, LARGE CORPORATIONS TAX, CAPITAL TAX	5,193	2,855	6,145
PROPERTY AND OTHER TAXES	1,007	901	841
PAYROLL TAX	673	564	397
GOODS AND SERVICES TAX, NET OF			
GOODS AND SERVICES TAX ON PURCHASES	11,482	10,806	10,302
	\$ 176,626	\$ 158,678	\$ 142,817

9. FINANCIAL INSTRUMENTS

The fair values of accounts receivable, bank indebtedness, accounts payable and income taxes payable are equal to their carrying values due to their short-term maturities. The fair values of long-term bank loans equal their carrying values as their interest rates fluctuate with the prime lending rate. The Company may elect to utilize interest rate swaps and make non-permanent repayment of the loans. The carrying values and fair values of mortgages and loans receivable, investments in listed securities, conditional sales contracts, mortgages payable, agreements for sale and unsecured notes payable are as follows:

	2001		2000	
	CARRYING VALUE	FAIR VALUE	CARRYING VALUE	FAIR VALUE
MORTGAGES AND LOANS RECEIVABLE	\$ 1,383	\$ 1,453	\$ 1,053	\$ 1,110
INVESTMENT IN LISTED SECURITIES	—	—	4,758	6,399
MORTGAGES PAYABLE	9,441	9,514	3,069	3,056
CONDITIONAL SALES CONTRACTS	1,848	1,866	2,791	2,721
NOTES PAYABLE	640	638	785	759

Fair value of listed securities is based upon quoted market prices as at June 30, 2001. Fair values of mortgages and loans receivable, and long-term debt are estimated using discounted cash flow analysis based upon incremental borrowing rates for similar borrowing arrangements.

The Company does not have a significant exposure to any individual customer. The Company reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance.

10. TENTATIVE REFINERY DISPOSITION

On December 16, 1998 the Company received and accepted an offer to purchase its refinery from the Blood Tribe/Kainaiwa Specific Claim Trust No. 1 of Standoff, Alberta. The offer is subject to a number of conditions, the satisfaction of which cannot reasonably be determined. Under the terms of the offer, approval of the creation of a Reserve must be granted by the Federal Department of Indian and Northern Affairs. Should the conditions be satisfied, the Company would receive proceeds of \$50,000,000 for its refinery, tank farm and related process equipment and support systems. The gain on sale would be approximately \$14,904,111 subject to capital additions, disposals and amortization occurring in the intervening period. The Company would manage the operations of the refinery under a management agreement with the Blood Tribe/Kainaiwa Specific Claim Trust No. 1 and would market all product produced by the refinery.

11. ACQUISITIONS

Effective November 22, 1999 the Company acquired all of the issued and outstanding shares of Binks Petroleum Inc. (a retail and wholesale distributor of transportation fuels). The acquisition has been accounted for by the purchase method with the results of operations included in the financial statements from the date of acquisition.

ASSETS ACQUIRED:

WORKING CAPITAL	\$ 700
FIXED ASSETS	458
FUTURE TAX	400
	1,558

LIABILITIES ASSUMED: DEBT

(436)

1,122

GOODWILL

647

TOTAL

\$ 1,769

CONSIDERATION: SETTLEMENT OF OUTSTANDING DEBT

\$ 1,769

12. TEMPORARY SUSPENSION OF REFINING OPERATIONS

On June 27, 2001 the Company announced it would temporarily suspend operations at its refinery, commencing after its annual maintenance shutdown in September 2001. The suspension will likely continue until the cost of feedstock decreases relative to the price of crude oil or the Company completes the sale of the refinery (Note 10).

TEN-YEAR REVIEW

YEARS ENDED JUNE 30				
(\$ THOUSANDS, EXCEPT PER SHARE INFORMATION)	2001	2000	1999	1998
NET SALES AND OPERATING REVENUES	\$ 494,482	\$ 378,184	\$ 264,156	\$ 255,374
COST OF OPERATIONS, AMORTIZATION AND INTEREST	443,794	337,900	217,622	217,893
MARKETING, GENERAL AND ADMINISTRATIVE EXPENSES	40,273	37,136	31,533	31,977
EARNINGS (LOSS) BEFORE INCOME TAXES				
TAXES FROM CONTINUING OPERATIONS	10,415	3,148	15,001	5,504
INCOME TAXES	3,885	1,108	5,649	2,295
EQUITY IN EARNINGS OF INVESTMENTS	-	-	-	-
UNUSUAL ITEMS AND DISCONTINUED OPERATIONS	795	288	-	289
NET EARNINGS	7,325	2,328	9,352	3,498
TOTAL ASSETS	136,721	116,407	103,332	95,561
WORKING CAPITAL (DEFICIT)	2,876	(6,230)	(5,740)	(4,228)
LONG-TERM DEBT (LESS CURRENT PORTION)	15,130	9,082	4,776	10,453
FUTURE INCOME TAXES	7,222	7,311	7,967	8,821
SHAREHOLDERS' EQUITY	66,781	60,349	59,383	50,890
COMMON SHARES OUTSTANDING USED				
IN PER SHARE CALCULATIONS	5,446,569	5,438,863	5,449,690	5,439,635
PER SHARE INFORMATION				
NET SALES AND OPERATING REVENUES	\$ 90.80	\$ 69.53	\$ 48.47	\$ 46.95
EARNINGS (LOSS) FROM				
OPERATIONS AND INVESTMENTS	1.34	0.38	1.72	0.64
NET EARNINGS	1.34	0.43	1.72	0.64
CASH PROVIDED BY OPERATIONS AND INVESTMENTS	2.80	1.63	2.94	1.79
TOTAL ASSETS	25.11	21.40	18.96	17.57
SHAREHOLDERS' EQUITY	12.26	11.10	10.90	9.36
NET CAPITAL EXPENDITURES	2.85	2.52	1.94	0.33
STATISTICAL ANALYSIS				
RETURN ON SHAREHOLDERS' EQUITY				
(BEFORE EXTRAORDINARY AND UNUSUAL				
ITEMS AND DISCONTINUED OPERATIONS)	11.5%	3.9%	17.0%	7.1%
RETURN ON TOTAL INVESTMENT				
(BEFORE EXTRAORDINARY AND UNUSUAL				
ITEMS AND DISCONTINUED OPERATIONS)	8.9%	3.5%	13.4%	5.4%
PRICE RANGE OF SHARES - CALENDAR YEAR				
HIGH	\$ 10.25	\$ 13.50	\$ 13.95	\$ 8.40
LOW	\$ 6.50	\$ 8.50	\$ 8.25	\$ 6.50

1997	1996	1995	1994	1993	1992
\$ 233,280	\$ 188,036	\$ 153,270	\$ 126,238	\$ 117,668	\$ 106,064
205,220	161,769	124,545	103,690	99,684	90,543
28,689	23,104	22,433	17,544	17,185	17,012
(629)	3,163	6,292	5,004	799	(1,491)
1,309	3,182	2,510	2,128	468	(558)
-	72	161	254	752	389
2,718	4,009	(274)	51	1,986	(339)
780	4,062	3,669	3,181	3,069	(883)
104,252	101,399	96,519	92,848	90,799	103,066
(8,986)	(5,377)	3,419	695	(2,052)	(7,329)
14,555	17,168	23,033	26,674	29,292	33,527
9,012	8,896	9,805	7,873	5,835	9,157
47,817	48,397	44,776	41,942	38,744	35,951
5,473,725	5,530,420	5,530,430	5,523,763	5,523,588	5,523,588
\$ 42.62	\$ 34.00	\$ 27.71	\$ 22.85	\$ 21.30	\$ 19.20
(0.09)	0.30	0.71	0.59	0.22	(0.10)
0.14	0.73	0.66	0.58	0.56	(0.16)
0.78	0.89	2.00	1.83	0.98	0.57
19.05	18.34	17.45	16.81	16.44	18.66
8.74	8.75	8.10	7.59	7.01	6.51
2.46	1.49	1.02	0.76	0.34	0.57
(1.0%)	3.6%	9.1%	8.0%	3.2%	(1.5%)
0.5%	3.5%	6.8%	6.1%	4.6%	2.0%
\$ 8.00	\$ 8.20	\$ 8.25	\$ 9.38	\$ 8.25	\$ 6.50
\$ 6.25	\$ 7.35	\$ 6.70	\$ 7.13	\$ 4.00	\$ 4.80

BOARD OF DIRECTORS



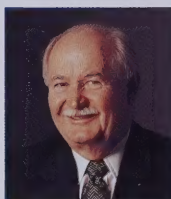
ROBERT G. BRAWN
CHAIRMAN, ACCLAIM ENERGY TRUST
CALGARY, ALBERTA

Mr. Brawn has served on the Board of Directors since November 1996. He is a Member of the Audit and Human Resources & Compensation Committees.



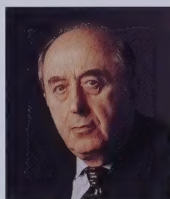
TERRY D. LAWRENCE
PRESIDENT, SHEER ENERGY INC.
CALGARY, ALBERTA

Mr. Lawrence is the Lead Director, and has served on the Board of Directors since July 1983. He is Chairman of the Human Resources & Compensation Committee and a Member of the Audit Committee.



THOMAS H. CHAPMAN
COUNSEL WITH CHAPMAN RIEBEEK
RED DEER, ALBERTA

Mr. Chapman is the Secretary of the Corporation, and has served on the Board of Directors since January 1977. He is Chairman of the Nominating & Corporate Governance Committee and a Member of the Human Resources & Compensation Committee.



S. DONALD MOORE
PRESIDENT AND MANAGER, PHOENIX CANADA OIL
COMPANY LIMITED, TORONTO, ONTARIO

Mr. Moore has served on the Board of Directors since April 1961. He is a Member of the Nominating & Corporate Governance Committee.



JACK C. DONALD
PRESIDENT AND CHIEF EXECUTIVE OFFICER
PARKLAND INDUSTRIES LTD., RED DEER, ALBERTA

Mr. Donald is Chairman of the Board of Directors and an ex-officio member of all Committees. He has served on the Board of Directors since January 1977.



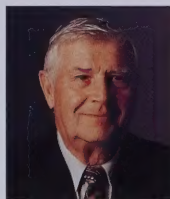
JAMES PANTELIDIS
CHAIRMAN AND CHIEF EXECUTIVE OFFICER
BATA LIMITED, TORONTO, ONTARIO

Mr. Pantelidis has served on the Board of Directors since September 1999. He is a Member of the Nominating & Corporate Governance Committee.



JOAN M. DONALD
VICE PRESIDENT, PARKLAND PROPERTIES LTD.
RED DEER, ALBERTA

Mrs. Donald has served on the Board of Directors since January 1977. She is a Member of the Nominating & Corporate Governance Committee.



ALFIO L. TRUANT
PRESIDENT, RED DEER BOTTLING CO. LTD.
RED DEER, ALBERTA

Mr. Truant has served on the Board of Directors since February 1981. He is Chairman of the Audit Committee and a Member of the Nominating & Corporate Governance Committee.



ALAIN FERLAND
PRESIDENT, EFFA MANAGEMENT INC.
OUTREMONT, QUEBEC

Mr. Ferland has served on the Board of Directors since June 1999. He is a Member of the Audit and Human Resources & Compensation Committees.

CORPORATE INFORMATION

HEAD OFFICE

Suite 236, Riverside Office Plaza
4919 - 59th Street
Red Deer, Alberta T4N 6C9
Tel (403) 357-6400
Fax (403) 346-3015
email: corpinfo@parklandindustries.com

ANNUAL GENERAL MEETING

Tuesday, November 6, 2001
4:00 p.m. at the Black Knight Inn
2929 - 50th Avenue
Red Deer, Alberta

BANKERS

Canadian Imperial Bank of Commerce
10th Floor, Bankers Hall
855 - 2nd Street SW
Calgary, Alberta T2P 2P2
4902 - 50th Street
Red Deer, Alberta T4N 1X7
HSBC Bank Canada
108, 4909 - 49th Street
Red Deer, Alberta T4N 1V1

AUDITORS

Heywood Holmes & Partners LLP
Chartered Accountants
500, 4911 - 51st Street
Red Deer, Alberta T4N 6V4

LEGAL COUNSEL

Chapman Riebeck
208, 4808 - 50th Street
Red Deer, Alberta T4N 1X5

STOCK EXCHANGE LISTING

Toronto Stock Exchange
Trading symbol: PKI

REGISTRAR AND TRANSFER AGENT

Computershare Investor Services
100 University Avenue
Toronto, Ontario M5J 2Y1
530 - 8th Avenue SW
Calgary, Alberta T2P 3S8

DIRECTORS

Robert G. Brawn
Thomas H. Chapman
Jack C. Donald
Joan M. Donald
Alain Ferland
Terry D. Lawrence
S. Donald Moore
James Pantelidis
Alfio L. Truant

OFFICERS

Jack C. Donald
President and Chief Executive Officer
Thomas H. Chapman
Corporate Secretary
John G. Schroeder
Vice President, Finance
Kelly G. Collier
Controller, Retail
Randy K. Nicholls
Controller, Wholesale

WHOLLY-OWNED SUBSIDIARIES

FAS GAS OIL LTD.

Retail Service Station Operations

D. Jim Jones
Vice President, Marketing

RACE TRAC FUELS LTD.

Wholesale Gasoline and Diesel Fuel Marketing

Bradley Williams
General Manager

SHORT STOP FOOD STORES INC.

Convenience Stores

Tim Rhodes
General Manager

PARKLAND REFINING LTD.

Petroleum Refining

Stan Simpson
Acting General Manager, Refining and Supply

PETROHAUL LTD.

Petroleum Transportation

Don Heisler
General Manager

GREAT NORTHERN OIL INC.

Gasoline and Diesel Fuel Marketing

D. Jim Jones
Vice President, Marketing

FAS GAS REALTY LTD.

Real Estate Holdings and Development

D. Jim Jones
Vice President, Marketing

GREENLEAF CAPITAL INC.

Dealer Financing

John G. Schroeder
Vice President, Finance



Parkland Industries Ltd.

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